



**CITY OF SCOTTSDALE  
TOURISM DEVELOPMENT COMMISSION  
REGULAR MEETING**

**Tuesday, March 18, 2014**

**Kiva Forum – City Hall  
3939 N. Drinkwater Boulevard  
Scottsdale, Arizona 85251  
**APPROVED MINUTES****

- PRESENT:** David Scholefield, Chairperson  
Tom Enders, Vice-Chairperson  
Ace Bailey  
Carl Grupp  
Camille Hill  
Ren Hirose  
Robert McCreary
- STAFF:** Steve Geiogamah  
Lee Guillory  
Holli Shannon  
Paul Katsenes  
Bruce Washburn  
Mary Vandevord  
Jeff Nichols  
Dan Worth  
Ben Moriarty  
Derek Earle
- GUESTS:** Margaret Dunn, Tourism Advisory Task Force  
Rachel Sacco, SCVB  
Caroline Stoeckel, SCVB  
Rachel Pearson, SCVB  
Steve Helm  
John Washington

**1. Call to Order/Roll Call**

Noting the presence of a quorum, Chairperson Scholefield called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:01 a.m.

**2. Approval of Minutes**

- February 18, 2014 Regular Meeting

**COMMISSIONER MCCREARY MOVED TO APPROVE THE MINUTES OF THE FEBRUARY 18, 2014 TOURISM DEVELOPMENT COMMISSION REGULAR MEETING AS PRESENTED. COMMISSIONER BAILEY SECONDED. THE MOTION CARRIED BY A VOTE OF SEVEN (7) TO ZERO (0).**

**3. Manager Reports**

**a. Staff Bed-Tax Collection Report**

Mr. Geiogamah noted that most of the 14% decrease in the bed tax is attributed to a January late payment of \$145,000. With this amount taken into account, collections were down about 4% for the month. In year to date numbers by sector, resorts are up 11%, full service is up 6.1%, and limited service is up 4.2%.

**b. Bed Tax Proforma**

Lee Guillory reported that the forecasted revenues for FY13/14 will be reflected on the next proforma. Revenue is projected to be about \$1 million higher. The debt service payments for Museum of the West will start in FY 2014/15. The cost of the Tourism Strategic Plan will be lower than anticipated in the current fiscal year, as the bulk of the payment is shifted into FY14/15. The FY14/15 column now shows estimated bed tax, which is approximately 5% higher than the prior year estimate. Columns now reflect changes to the Event Support Funding Program and Community Events. The FY15/16 estimate was added to show the ending carryover balance.

**c. Smith Travel Report**

Mr. Geiogamah reported that occupancy is up 3.8% over a running twelve months. The average daily rate is up 4%, and RevPar is up 7.9%. For January, occupancy was basically flat.

**d. Program Updates**

Mr. Geiogamah reviewed proposed city event funding program changes for next fiscal year. Proposed changes include Community and Event Support Funding Programs offering a year-round application. Once the programs are recommended, the SCVB website will be used to market and promote the Event Programs. Event contractual changes are being proposed such as identify room night threshold levels for the Event Support Funding Program, and clarify language related to post and pre event impression values. The Event Working Group plans to meet to discuss mega event criteria. Proposed program changes will be presented to the TDC and an upcoming meeting.

#### **4. Gift Clause Review**

Bruce Washburn, City Attorney, explained the legal parameters that arise from the City Charter's Anti-Subsidy Amendment, and the Arizona Constitution's Gift Clause. The two provisions address the same basic concept, that the government should not give away public money to private parties. When both provisions apply to expenditure, the City Charter requires that the City receive substantially equal value in exchange for what it gives, whereas the Constitution only requires that the amount not be grossly disproportionate.

Mr. Washburn noted that while both provisions can set limits on what expenditures can be made by the City, they provide no guidance on what expenditures should be made. Deciding where to spend tourism dollars is a question for the Commission that goes far beyond determining whether the requirements of the Anti-Subsidy Amendment and Gift Clause are being met. Staff will not bring anything forward to the TDC that does not meet legal requirements.

#### **5. General Plan Update**

Mary Vandevord, Long Range Planning Services, provided an overview of the draft Scottsdale General Plan 2014. The General Plan is a statement of City policy that serves as a guide for decision making. It helps Council determine funding priorities, and is legally required by state law. It is not a zoning ordinance, nor a static document that cannot be amended. It is not a budget or a capital improvement plan. The State requires general plans to be in effect for up to ten years and ratified by a vote of the citizens. General plans require 17 elements. The current Scottsdale General Plan was adopted in 2001, and ratified in 2002. In 2009, the plan update process started. Council adopted a new plan in 2011, but since citizens did not ratify that plan, the old one stays in effect until a new one can be created.

Ms. Vandevord said the new process started in 2013 with a visioning town hall of 100 people. A 25-member Task Force was established, and a public outreach effort launched. Adoption hearings are scheduled for May and June of 2014, and the plan could possibly go on the ballot in November 2014. The Task Force has approved most of the plan, but is still working on the implementation section. In addition to the 17 required elements, the Task Force added five community elements: Economic Vitality; Community Involvement; Character and Design; Arts, Culture and Creative; and Healthy, Happy Community. Workshops have focused on addressing concerns that arose from the failed 2011 effort.

Ms. Vandevord said Scottsdale's General Plan is based on a foundation of two public visioning processes that happened in the 1990s. The resorts, and arts and culture themes established at that time are still important to the community today. Economic vitality is another principle that is being carried forward. The Task Force has revised the Vision Statement and has crafted 13 community values. Tourism is very important to the Task Force, and has been woven throughout the entire document. For the Economic Vitality element, the first goal is to ensure that Scottsdale is a premier tourism and resort destination regionally and nationally. Other goals are to ensure economic resiliency, provide socioeconomic prosperity for all community members, manage land uses for

economic development and fiscal health, and retain fiscal resources to provide a high level of services in the city.

In terms of the Arts, Culture and Creative Community element, the first goal is to have Scottsdale recognized as a cultural destination that supports, plans for and manages arts and culture and encourages creative place making. Other goals are to preserve historic, archeological, and cultural resources, provide space and equipment needs for cultural facilities, and to nurture working artists. It also encourages Scottsdale to cultivate a creative workforce and develop partnerships in funding for the arts.

Commissioner McCreary inquired about participation levels at the forums. Ms. Vandevord responded that the open houses have been sparsely attended, but staff has received many online comments at [scottsdalegp.com](http://scottsdalegp.com). Chair Scholefield inquired about the tourism community involvement in creating the plan. Ms. Vandevord said Commissioner Ace Bailey and a representative from the Best Western Sundial participated in the Task Force, but that all members were very aware of tourism's importance to the community. Chair Scholefield encouraged Commissioners to provide their feedback by April 15.

#### **6. Museum of the West – Funding Request**

Jeff Nichols, City Treasurer, said the total cost of the Museum of the West project is \$13.6 million. While that has not changed, the estimate for the debt service cost has increased. The voters did not approve a proposed bond program last fall, which means the City has had to fund 12 critical projects through General Fund dollars. He requested the use of \$1.5 million of the tourism carryover fund balance to reduce the debt issuance to \$12.1 million. This would reduce the estimated debt cost per year to around \$900,000, resulting in a savings of \$2.35 million. The Tourism Development Fund previously had set aside \$900,000 for debt service reserve for the museum. This reserve could either be used to cover the final payment in the 20<sup>th</sup> year of debt service, or could be returned to the carryover reserve at the end of 20 years of payments.

Commissioner Hill inquired whether the museum has built in space for special events. City Engineer Derek Earle explained that there is a large atrium space in the building's center and an outdoor sculpture garden that can be used for special events. Part of the business plan is to accommodate special groups, but the event space is not designed exclusively for this purpose. Commissioner Hill suggested that event producers be asked to comment on the plans. Chairperson Scholefield asked why the request was for \$1.5 million specifically. Ms. Guillory explained that \$1.5 million is the amount needed to keep debt service payments at \$900,000.

The Commission opted not to make a motion. Mr. Nichols said this item will be presented to City Council on April 8.

#### **7. Tournament Players Club – Funding Request**

Jeff Nichols, City Treasurer, said the TPC project cost of \$15 million has not changed, and the debt service reserve is \$1.25 million. MPC debt issuance would have been

\$16.2 million. This would require \$1.25 million per year to service the 20-year debt. The impact to the General Fund would be about \$350,000 annually. He requested the use of \$2.3 million of Tourism Fund carryover balance to bring the estimated debt service down to \$13.95 million. This would require \$900,000 from the Princess lease revenue and about \$170,000 from the increase in TPC payments. The estimated savings to the City would be about \$3.49 million. The debt service reserve at the end of the 20-year period can either be used to pay off the last year or put back in the carryover fund balance.

The Commission opted to make no motion.

## **8. Tony Nelssen Equestrian Center – Public Art Funding Request**

Dan Worth, Public Works Executive Director, said the TNEC is requesting authorization to create a new capital project to be named WestWorld Public Art Improvements, funded with a total of \$400,000 from the Special Revenue Fund for Tourism Development bed tax carryover. The importance of arts and culture is reflected in the General Plan update. The goal of this project is to create a sense of place with public art, and to market TNEC. The request is to take funding that currently exists in the TNEC project that would have been paid out of two capital funding allocations from the bed tax, and replace it with the carryover. The facility is already open, but the intent is to have the art installed before the start of the second season.

Mr. Worth explained that the City Code requires each capital project to have a public art component valued at 1% of the project cost, which in this case would be \$428,000. When the project budget was increased, the public art amount remained the same because the selected art was already under commission. Some of the cost has already been paid, but the majority has not. Fabrication and installation have not started, because the priority was to get the building into a completely functional state first. Money is being left in the budget to cover the art expense, but the building project will not be closed out for another six to eight months, which will be too late to install the art in time for the second season. The new proposal is to use \$400,000 in carryover to fund the art project now, with the remainder of the project balance to be returned to the Tourism Development Fund once the building project is closed out. There is a 90% probability that the building project will have at least \$100,000 remaining by closing, and a 50% chance that the entire amount can be refunded.

Commissioner Hirose noted that the TNEC has been underperforming for the last year, and he doubted that the lack of public art is the reason for that. He queried whether there were more effective ways to spend \$400,000 to generate more bookings at TNEC. Mr. Worth said the marketing team was hired in December and is developing leads to bring events into the facility. One of the first things the team identified was the need to have professional level materials to present to potential events. Art will be featured as a visual element in those materials and will help create the sense of place.

Commissioner Grupp inquired whether the art project would be completed in time for peak season. Mr. Worth said something could always go wrong, but the artist has a schedule that would have the art installed by November. Commissioner McCreary noted the difficulties in determining a return on investment for a project of this nature. Commissioner Bailey asked how long it would take to get the art installed without the

advance. Mr. Worth said there would be no chance to complete it in time for the second season without the help.

In response to an inquiry from Chairperson Scholefield, Mr. Worth explained that in the event the request is not granted and the money is not available in the project to finish the art, the City would have to find another funding source to comply with the City Code.

The Commission opted to make no motion.

## **9. ESPN FanFest Event Update**

Steve Helm said FanFest would be centered on the Super Bowl of January, 2015. In 2008, ESPN used the bridge at Southbridge and a vacant lot south of Nordstrom to obtain good views of Camelback Mountain for the broadcast. In 2011, the same spot was used for the Fiesta event centered on the BCS Championship game. Even though the 2008 Super Bowl was in Glendale, Scottsdale was the center of activity, enjoying record occupancy the weekend before. This year, downtown Phoenix has aggressively moved to become the center of activity. Scottsdale needs to create an event to position itself as an exciting place to be during Super Bowl week.

Mr. Helm said the ESPN site will have several stages for interviews and a small football field. This will take up one fourth of a two-acre parcel. The rest of the parcel will be activated to draw at least 250,000 people while ESPN is on the air. He said he plans to return in April or May to request support for the ESPN FanFest. He noted that the media hotel is in Phoenix, but ESPN has chosen Scottsdale for their telecast.

Commissioner Hirose said event sponsors should stay in Scottsdale. Paul Katsenes noted the complexities of the situation, and identified the need for a small, agile working committee to liaise between the City, the SCVB, and the Host Committee. The Commission can expect a complete report as early as next month.

Commissioner Bailey identified the need to increase exposure to downtown merchants. Chairperson Scholefield suggested that the next presentation include more information on the projected economic impact beyond room nights. Commissioner Hirose said the event should ideally show off the variety of Scottsdale's offerings to encourage people to return after the Super Bowl.

## **10. Identification of Future Agenda Items**

Mr. Geiogamah said the April meeting will feature agenda items on the SCVB's Destination Marketing Program, Event Working Group recommendations, capital project evaluations, and the ESPN FanFest funding request.

Chairperson Scholefield requested updates on the hospitality trolley and City Council's reaction to Mr. Nichol's funding proposals.

**11.    Public Comment**

There were no public comments.

**12.    Adjournment**

The meeting adjourned at 9:20 a.m.

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